

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
April 29 & 30, 2015

CALL TO ORDER

The regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Chairman Linda Nelson at 2:00 p.m., Wednesday, April 29, 2015, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Linda Nelson, Steven Durrett, Ronald S. Efta, John Evans, Paul Gatzemeier, and Peggy Ames Nerud. Staff present was John Gizicki, Jim Halvorson, George Hudak, Ben Jones, Dave Popp, Jennifer Rath, Erin Ricci, and Rob Stutz. Vice Chairman Wayne Smith was absent.

APPROVAL OF MINUTES

A motion was made by Mr. Efta, seconded by Ms. Ames Nerud and unanimously passed, to approve the minutes of the February 25, 2015, business meeting

PUBLIC COMMENT

Mr. Robert P. Wilson, brought before the Board his concerns about the Mable Wilson 1 well located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 33, T27N, R59E Roosevelt County, Montana and Operated by Pride Energy Company (Pride). He wants the well site cleaned up of debris and litter that blows onto adjacent fields.

Mr. Halvorson stated Pride has not responded to staff letters. It will be scheduled at the June 25th board hearing to show cause why the well should not be plugged and abandoned.

Motion – Ms. Ames Nerud made the motion to show-cause Pride at the June 25th public hearing for why the Mable Wilson 1 well should not be plugged and abandoned, Mr. Durrett seconded. The motion passed unanimously

Ms. Cindy Webber with the Cottonwood Resource Council and Northern Plains Resource Council (NPRC) wants the Board to take up setback issues to preserve public health and property values, stated in Exhibit A. She requests the setback to be a quarter mile (1,320 feet) from inhabited dwellings and water wells. Ms. Webber also wants public comments in four cities across the state in regards to setbacks.

Ms. Jessica Sena with the Montana Petroleum Association stated SB177 called for 1,000 feet setbacks and was strongly opposed in the legislature. NPRC's request for 1,320 feet is more stringent of a requirement than what was asked for in the legislature. Ms. Sena asked the Board to hold off rulemaking until mineral owners and industry have a chance to weigh in on this matter and to delay until the next board meeting.

OMIMEX PETROLEUM REQUEST FOR RE-HEARING OF DOCKET 352-2014

Omimex request for rehearing of Oasis Petroleum LLC Docket 352-2014 was represented by attorney Mr. Brian Lee. Mr. Lee does not want risk penalties imposed on Omimex and filed an application for rehearing.

Mr. Lee did not introduce any new evidence that the Board had not heard from the previous two hearings. The request for rehearing of Docket 352-2014 was denied due to lack of a motion.

FINANCIAL STATEMENT

Ms. Rath passed out and discussed the financial statement attached as Exhibit 1.

Mr. Halvorson discussed the legislature's effect on the budget, attached as Exhibit 2. As of now, there is \$4.7 million in the damage mitigation account and a significant amount will be taken out to fund a \$1.35 million direct transfer, \$591,000 in FY 2016 and \$500,000 FY 2017 for Sage Grouse Operations, \$600,000 for a mine and geology research project, \$300,000 for St. Mary's Rehab. This totals over \$3 million that will come out of the reserves. As of now, with low oil prices, the Board is living out of these reserves.

Currently, the total of the privilege and license tax and the tax for the oil and gas natural resource distribution account is collected at 0.26%. Of this 0.26%, 0.09% goes to the Board, and 0.17% goes to cities and counties. The Board has statutory authority to raise the rate to a maximum of 0.30%. As we increase our rate, cities and counties will receive a decrease in revenue. The raise in the tax rate will first affect cities and counties and then industry. The purpose of the reserve account was to provide a cushion to the Board.

Mr. Jones introduced two graphs as Exhibit 3. The first graph depicts the difference between budget and revenue and projects the amount of money in the reserve account at the end of each quarter into FY 2018. This graph assumes the worst-case scenario of zero new completions with \$35/barrel to the end of 2015 and starting 2016 with \$50/barrel. With these assumptions, the Board's reserve account will run out in the 4th quarter of FY 2016. The legislature's reserve account forecast is shown as a comparison and projects the reserve account will hit zero in the 4th quarter FY 2017.

The second graph depicts historical revenue and tax rates.

Mr. Halvorson stated the Revenue Department needs 90 days of notice prior to the rule making of raising the rates. This would put the tax increase effective at the end of 2016 to the middle of 2017. With the delay in revenue collections from the Revenue Department, this matter will be monitored closely to determine when rulemaking will be required.

Mr. Evans wanted to know if the Board could propose a tax raise. Mr. Halvorson said it requires rule making and is an independent process from the Board's meetings: It can take 3 months or longer to complete the process.

BOND REPORT

Mr. Halvorson discussed the bond report attached as Exhibit 4.

DOCKET SUMMARY

Mr. Halvorson discussed the docket summary, attached as Exhibit 5. The exhibit includes a seven page overall docket summary, a one page list of applications placed on the Default Docket, a two page list of applications to be heard, and a two page summary of the status of all applications before the Board for its April 30, 2015, public hearing.

Default dockets are heard under one motion, but it is treated like any other docket. Default dockets are open to protest and comments, and if there are any, the docket will be heard. Forced pooling without penalties, temporary spacing, spacing exceptions, and class II injection permits, typically make up default dockets.

Administrative continuances for Docket 338-2014 and 34-2015:

Docket 338-2014 K2 America Corp. (K2) has 23 wells on fee lands and of those wells, 16 may need to be plugged. K2 has volunteered to get help to turn in delinquent production reports, pay the fine, and verify what wells remain to be plugged prior to the next hearing. Docket continued to the June hearing.

Docket 34-2015 Cavalier Petroleum is down to 117 wells, some of which are operated by other operators but the wells were never conveyed. Cavalier agreed to pay the fines and turn in delinquent production reports immediately. Docket continued to the June hearing, but if there is no compliance, Board will move forward to forfeit its bond.

GAS FLARING REPORT

Mr. Jones discussed the gas flaring report, attached as Exhibit 6. The Board's rule allows up to 100 mcf/day of gas to be flared based upon a monthly average.

Mr. Jones stated there are 38 wells flaring in excess of 100 mcf/day at this time, down from 46 wells at the last meeting. The reason for the decreased number of wells flaring is largely due to the reduction in the number of well completions. He anticipates this number will continue to decrease prior to the next meeting.

There are six flaring exception requests being made at this time. Two of the requests are Denbury wells, the Unit 11-12H well and the Pennel Unit 24-11H well, where the gas that is flared is made up of mostly nitrogen and carbon dioxide and has no market value. He recommended a permanent flaring exception for the two wells. The other four requests are due to pipeline and gas plant capacity issues or distance from a gathering system. He recommends a six month flaring exception for these wells.

A memo within Exhibit 6 details issues Continental Resources Inc. faces in Eastern Montana.

Motion – Mr. Evans made the motion to approve the recommendations. Mr. Efta seconded and the motion passed unanimously.

STAFF REPORT

John Gizicki

Mr. Gizicki passed out Exhibit 7, information on Custom Carbon Processing, Inc. (Custom). Custom is a company out of Canada that has the Michaels A 8-3 disposal well that displays incorrect well identification, improper berms or diking, lack of weed control, and significant debris on location, which is blowing into adjacent fields. Several people want to purchase this well. An individual is currently leasing the land, although all compliance issues go to Custom. The other well, Wojahn A 5-2, displays the incorrect well identification, lack of berms at tank battery, junk, and lack of weed control.

Mr. Durrett noted that even though an individual is leasing the land, it does not revoke Custom from the responsibility of a bonded owner.

Mr. Gizicki recommends scheduling a show-cause hearing for Custom Carbon Processing for field violations at the June 25, 2015 public hearing unless the violations are remedied prior to the May 21, 2015 hearing deadline.

Motion – Mr. Durrett made the motion to approve the recommendation to show-cause Custom Carbon Processing, Inc. for the June 25, 2015 hearing and Ms. Ames-Nerud seconded. The motion passed unanimously.

The next company Mr. Gizicki brought to the Board's attention is Coastal Petroleum Company, Exhibit 8. This company is out of Florida and is the operator of record for the State 7-16 well. This well was plugged and abandoned in 2012, and the well site has not been reclaimed.

Mr. Gizicki recommended scheduling a show-cause hearing for Coastal Petroleum Company for field violations at the June 25, 2015 public hearing unless reclamation is underway prior to the May 21, 2015 hearing deadline.

Motion – Mr. Gatzemeier made the motion to approve the recommendation to show-cause Coastal Petroleum Company for the June 25, 2015 hearing and Mr. Efta seconded. The motion passed unanimously.

Rob Stutz

Mr. Stutz gave a litigation update. There are three lawsuits outstanding. The Anne Ostby case is still pending in district court. The Hekkle vs Amestoy oral argument took place in Sidney and was dismissed. Amestoy appealed to Montana Supreme Court and it is waiting for an appellate mediator. The CCRC case had oral arguments and is now waiting on judgement.

Mr. Stutz was able to get Summer Night Oil Company's revoked bond back from the US Bank in Denver. This bond had been released without the Board's approval.

Jim Halvorson

Mr. Halvorson brought up Quicksilver Resource Operating (Quicksilver) who operates in the Cut Bank Sand Unit. Quicksilver has requested the Board to reconsider its bond amount of \$125,000 that covers two wells that need to be plugged.

Mr. Halvorson stated Quicksilver appears to be in bankruptcy and recommends the Board keep the bond at \$125,000 until the last two wells are plugged.

Motion – Mr. Evans made the motion to approve the recommendation and Ms. Ames-Nerud seconded. The motion passed unanimously.

OTHER BUSINESS

HB 226 – Damage Mitigation

Tom Richmond introduced HB 226 that changes the way the Board receives funding for reclamation. The Board will have a \$1.2 million cap on the account and \$650,000 will be distributed yearly. This amount will allow the Board to respond to emergencies and maintain a continuous plugging and reclamation program as it has in the past.

A list of wells that need to be plugged, and wells that will have the highest priority will be presented to the Board at the next business meeting.

Sage grouse

Mr. Halvorson had a meeting with the executive director of the Wyoming Wildlife & Natural Resource Trust about Wyoming's Sage Grouse program. Montana needs an effective program to preserve the species so it will not be listed as endangered, which if it is, will have a large impact on the oil and gas industry. Wyoming has volunteered to help Montana develop this program.

HB156

HB156 is a carbon sequestration bill that promotes pollution control equipment with tax credits. This passed in the legislature and now requires the Board to draft procedures and in the long term, track compliance.

The Governor has offered the DEQ and the Revenue Department to help with rule making and he hopes that by the next meeting there will be a draft to present to the Board.

Setbacks

Mr. Halvorson went over the current rules and regulations in regards to Montana's setbacks, detailed in Exhibit 12. He then proceeded to talk about Colorado's new rule of setbacks based on building type. Wyoming also created a setback rule that took one year to create and is a 500' setback from occupied structures.

Mr. Halvorson stated that Bakken/horizontal wells often require different setbacks than vertical wells, so it is hard to address with one statewide setback rule.

Mr. Halvorson suggested that the discussion of setbacks be put on the agenda for the June business meeting so the Board will have the opportunity to hear from Industry, NPRC, and the general public. Mr. Halvorson laid out three options for the Board regarding setbacks.

1. Determine to do no rulemaking.
2. Change or modify a current rule.
3. Propose to develop a specific setback rule.

Mr. Durrett said the biggest drawback is one size does not fit all. He estimates half of the wells could not be drilled if there was a setback rule in place. Correlative right would be impacted by wasting resources by limiting access to it. Additionally, he wants the Board to distinguish inconvenience from harm during public comment.

Ms. Ames-Nerud wants to move forward with public comment in June and adjust the time of the next meeting. Pending the outcome, she would like to go on the road for public comment around the state.

Chairman Nelson stated there would be additional time for the public comment. Additionally, the first steps will be to take comments from NPRC, Industry, and the public.

Mr. Halvorson stated any interested person could protest a drilling permit and bring a setback issue to the Board. There could be a page on the website dedicated to how to protest a permit to drill to ensure the process is clear.

Ms. Ames-Nerud would also like information about setbacks from staff prior to the next meeting.

Mr. Evans asked about lease stipulations vs the setback rule. He then said a setback rule would take some rights from the landowner.

Mr. Stutz commented a rule has the weight of law, and that this would impair existing contracts because it would have to comply with the rule. He then mentioned nothing prevents groups like Montana Petroleum Association and NPRC to get together and find areas of agreement and then present to the Board.

Mr. Durrett wanted to know if the BLM has made its own setback rule. Mr. Halvorson said typically the BLM may include a specific setback distance in leases but a setback can also be established under a resource management plan. Mr. Durrett asked if a said fee mineral owners could negotiate as part of the lease a different setback. Mr. Halvorson said that a mineral owner could adopt a more stringent setback but that a method of exception for a lesser setback would have to be either included in the rule or require an exception by the Board.

Mr. Durrett thinks a blanket rule is not necessary; it needs to be on a case by case.

Mr. Gatzemeier asked if the Board has the authority to decide setback rules for each application. Mr. Halvorson said yes but Mr. Stutz will need to do some research. Mr. Gatzemeier requested more research because a blanket setback rule could take away some of the Board's authority.

Mr. Efta said setbacks would be a problem for vertical wells because there is not much leeway and 1350' would be a problem in the Northern area.

Mr. Halvorson said a setback based on the depth of a well and the spacing unit could end up being an easy solution that required a very complex rule.

Chairman Nelson wants a session to hear other people's thoughts to get a better understanding. Ms. Ames-Nerud agreed along with the request for research from the staff prior to the next meeting.

Motion – Mr. Gatzemeier made the motion to for a public comment session to be held in regards to setbacks. Ms. Ames-Nerud seconded and the motion passed unanimously.

The meeting will take place on June 24 at 1:00, immediately prior to the scheduled business meeting.

Mr. Halvorson mentioned the spill report has been on the website for the last few days under the hearing file and he intends this to be part of every meeting. This current report has all reported or discovered spills since January 1, 2015.

PUBLIC HEARING

The Board reconvened on Thursday, April 30, 2015, at 8:00 a.m. at the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana, to hear the matters docketed for public hearing. As a result of the discussion, testimony, and technical data placed before the Board, the following action was taken in each matter.

Docket No. 36-2015 – A motion was made by Mr. Durrett, seconded by Mr. Efta and unanimously passed, to approve the application of Stephens' Mineral Properties LLC as set forth in Board Order 47-2015.

Docket No. 37-2015 – A motion was made by Mr. Smith, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of SM Energy Company as set forth in Board Order 48-2015.

Docket No. 38-2015 – A motion was made by Mr. Smith, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of SM Energy Company as set forth in Board Order 49-2015.

Docket No. 39-2015 – A motion was made by Mr. Evans, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of SM Energy Company as set forth in Board Order 50-2015.

Docket No. 40-2015 – A motion was made by Mr. Evans, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of SM Energy Company as set forth in Board Order 51-2015.

Docket No. 41-2015 – A motion was made by Mr. Smith, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 52-2015.

Docket No. 42-2015 – A motion was made by Mr. Smith, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 53-2015.

Docket No. 43-2015 – A motion was made by Mr. Smith, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 54-2015.

Docket No. 44-2015 – A motion was made by Mr. Smith, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 55-2015.

Docket No. 45-2015 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Burlington Resources Oil & Gas Company LP was approved as set forth in Board Order 99-2015.

Docket No. 46-2015 – The application of Statoil Oil & Gas LP was continued to the June 2015 hearing.

Docket No. 47-2015 – A motion was made by Mr. Smith, seconded by Mr. Efta and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 56-2015.

Docket No. 48-2015 – A motion was made by Mr. Smith, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 57-2015.

Docket No. 49-2015 – A motion was made by Mr. Efta, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 58-2015.

Docket No. 50-2015 – A motion was made by Mr. Smith, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 59-2015.

Docket No. 51-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Evans and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 60-2015.

Docket No. 52-2015 – A motion was made by Mr. Efta, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. set forth in Board Order 61-2015.

Docket No. 53-2015 – A motion was made by Mr. Smith, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 62-2015.

Docket No. 54-2015 – A motion was made by Mr. Durrett, seconded by Mr. Evans and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 63-2015.

Docket No. 55-2015 – A motion was made by Mr. Durrett, seconded by Mr. Efta and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 64-2015.

Docket No. 56-2015 – A motion was made by Mr. Gatzemeier, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 65-2015.

Docket No. 57-2015 – A motion was made by Mr. Smith, seconded by Mr. Efta and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 66-2015.

Docket No. 58-2015 – A motion was made by Mr. Gatzemeier, seconded by Mr. Durrett and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 67-2015.

Docket No. 59-2015 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 68-2015.

Docket No. 60-2015 – A motion was made by Mr. Durrett, seconded by Mr. Smith and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 69-2015.

Docket No. 61-2015 – A motion was made by Mr. Durrett, seconded by Mr. Evans and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 70-2015.

Docket No. 62-2015 – A motion was made by Mr. Efta, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 71-2015.

Docket No. 63-2015 – A motion was made by Mr. Smith, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 72-2015.

Docket No. 64-2015 – A motion was made by Mr. Gatzemeier, seconded by Mr. Durrett and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 73-2015.

Docket No. 65-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Evans and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 74-2015.

Docket No. 66-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Evans and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 75-2015.

Docket No. 67-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Evans and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 76-2015.

Docket No. 68-2015 – A motion was made by Mr. Evans, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 77-2015.

Docket No. 69-2015 – A motion was made by Mr. Smith, seconded by Mr. Evans and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 78-2015.

Docket No. 70-2015 – A motion was made by Mr. Gatzemeier, seconded by Mr. Efta and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 79-2015.

Docket No. 71-2015 – A motion was made by Mr. Gatzemeier, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 80-2015.

Docket No. 72-2015 – A motion was made by Mr. Gatzemeier, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 81-2015.

Docket No. 73-2015 – A motion was made by Mr. Gatzemeier, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 82-2015.

Docket No. 74-2015 – A motion was made by Mr. Smith, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 83-2015.

Docket No. 75-2015 – A motion was made by Mr. Smith, seconded by Mr. Efta and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 84-2015.

Docket No. 76-2015 – A motion was made by Mr. Gatzemeier, seconded by Mr. Durrett and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 85-2015.

Docket No. 77-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 86-2015.

Docket No. 78-2015 – The application of Oasis Petroleum, Inc. was continued to the June 2015 hearing.

Docket No. 79-2015 – A motion was made by Mr. Gatzemeier, seconded by Mr. Evans and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 87-2015.

Docket No. 80-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Efta and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 88-2015.

Docket No. 81-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Evans and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 89-2015.

Docket No. 82-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 90-2015.

Docket No. 83-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Durrett and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 91-2015.

Docket No. 84-2015 – A motion was made by Mr. Durrett, seconded by Ms. Ames-Nerud and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 92-2015.

Docket No. 85-2015 – A motion was made by Mr. Gatzemeier, seconded by Mr. Efta and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 93-2015.

Docket No. 86-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 94-2015.

Docket No. 87-2015 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Interstate Explorations, LLC was approved as set forth in Board Order 100-2015.

Docket No. 88-2015 – A motion was made by Mr. Durrett, seconded by Mr. Evans and unanimously passed, to approve the application of Baldwin Lynch Energy Corp. as set forth in Board Order 96-2015.

Docket No. 89-2015 – A motion was made by Mr. Durrett seconded by Mr. Evans and unanimously passed, to approve the application of Baldwin Lynch Energy Corp. as set forth in Board Order 97-2015.

Docket No. 90-2015 – A motion was made by Mr. Efta, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Fort Worth Operating Company, LLC as set forth in Board Order 98-2015.

Docket No. 91-2015 –Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fort Worth Operating Company, LLC was approved as set forth in Board Order 101-2015.

Docket No. 92-2015 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fort Worth Operating Company, LLC was approved as set forth in Board Order 102-2015.

Docket No. 93-2015 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fort Worth Operating Company, LLC was approved as set forth in Board Order 103-2015.

Docket No. 94-2015 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Fort Worth Operating Company, LLC was approved but no Board Order was issued since it contains only federal lands.

Docket No. 257-2014 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket No. 300-2014 – The application of Anadarko E&P Onshore, LLC was continued to the August 2015 hearing.

Docket No. 349-2014 – A motion was made by Mr. Smith, seconded by Mr. Durrett and unanimously passed, to approve the application of Oasis Petroleum, Inc. as set forth in Board Order 95-2015.

Docket No. 352-2014 – The request for rehearing by Omimex Petroleum was denied.

Docket No. 2-2015 – The application of Interstate Explorations, LLC was continued to the June 2015 hearing.

Docket No. 3-2015 – The application of Interstate Explorations, LLC was continued to the June 2015 hearing.

Docket No. 95-2015 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Smith and unanimously passed, to continue the Show-Cause Hearing for Kelly Oil and Gas, LLC until the Board's June 25, 2015 hearing where Kelly Oil and Gas, LLC is to appear at the June 25, 2015 public hearing and show-cause, if any it has, why its plugging and reclamation bond covering the State E-2 well should not be forfeited for failure to repair or abandon the well and why it shouldn't be required to plug and abandon its remaining production and injection wells. Additionally, Kelly Oil and Gas, LLC was fined \$1,000.00 for the failure to pay the injection fee for the State 1, State E-2, and R. Shelhamer 1A injection wells. Total due in injection well fees and penalties is now \$2,400.00.

A second motion was made by Mr. Smith, seconded by Mr. Efta and unanimously passed to fine Kelly Oil and Gas, LLC \$1,000.00 for not appearing at the April 30, 2015 public hearing and addressing the violations. It was further ordered that the violations be remedied prior to the May 21, 2015 hearing deadline or substantial progress made; otherwise, additional penalties will be considered at the June 25, 2015 hearing. This is set forth in Board Order 104-2015.

Docket No. 96-2015 – A motion was made by Mr. Evans, seconded by Mr. Smith and unanimously passed to fine Alturas Energy LLC \$1,000.00 for not appearing at the April 30, 2015 public hearing and addressing the violations at its Degn 29-44, Bass Marker 20-33, and Scheetz 21-1 wells. It was further ordered Alturas Energy LLC to appear at the June 25, 2015 public hearing and show-cause, if any it has, why its plugging and reclamation bond should not be forfeited for failure to provide a plan and timeline for the plugging and abandonment of its wells. This is set forth in Board Order 105-2015.

Docket No. 97-2015 – A motion was made by Mr. Durrett, seconded by Mr. Evans and unanimously passed, to continue the Show-Cause Hearing for August Exploration, LLC until the Board's June 25, 2015 hearing where they shall appear and show-cause, if any it has, why its plugging and reclamation bond should not be forfeited. Additional penalties will be considered if the respondent does not appear at the June 25, 2015 public hearing. This is set forth in Board Order 106-2015.

Docket No. 98-2015 – The show-cause hearing of Seymour, James & Lorraine was dismissed.

Docket No. 362-2014 – The application of Wexco Exploration, LLC was continued to the June 2015 hearing.

Docket No. 338-2014 – The application of K2 America Corporation was continued to the June 2015 hearing.

Docket No. 34-2015 – The application of Cavalier Petroleum was continued to the June 2015 hearing.

NEXT MEETING

The next business meeting of the Board will be Wednesday, June 24th, 2015, at 2:00 p.m. at the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana. At 1:00 p.m. the day of the business meeting there will be an open comment period for one hour in regards to setback prior to the business meeting. The next regular public hearing will be Thursday, June 25th, 2015, beginning at 8:00 a.m. at the Board's hearing room at its office at the 2535 St. Johns Avenue in Billings, Montana. The filing deadline for the June 25th, 2015, public hearing is May 21st, 2015.

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA



Linda Nelson, Chairman

Wayne Smith, Vice Chairman

Steven Durrett, Board Member

Ronald S. Efta, Board Member

John Evans, Board Member

Paul Gatzemeier, Board Member

Peggy Ames-Nerud, Board Member

ATTEST:


Jennifer Rath, Program Specialist